

PRESS RELEASE

CENTRAL BANK OF NIGERIA

COMMUNIQUE (NO. 13) OF THE MONETARY POLICY COMMITTEE'S ACTIVITIES DURING THE MONTH OF JUNE, 2002

This Communique provides a summary of deliberations and major decisions of the Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) during the month of June, 2002. Its publication is in keeping with the Bank's policy on transparency in the conduct of monetary and financial policies.

The Committee met twice, on June 4 and 18, respectively, to review developments in the financial markets and the macroeconomy. Discussions focused mainly on liquidity management and review of policy measures aimed at ensuring sustained macroeconomic stability.

The appraisal of macroeconomic conditions during the month revealed continued moderation of the inflation rate. The moving average rate of inflation, which had stabilised at 18.9 per cent in December, 2001 through February 2002, declined marginally to 18.8 per cent in March and further to 17.9 per cent in April 2002. The Committee, however, noted with concern the rapid growth of aggregate demand as broad money supply (M2) rose further by 1.3 per cent in May, 2002, bringing the cumulative growth rate of broad money to 9.8 per cent in the first five months of the year. When compared with the

maximum annual growth target of 15.3 per cent, the growth was disproportionately too high and contra-seasonal. Base money also increased by 0.8 per cent in the first two weeks of June and exceeded the programme bench mark for the month by ₦5.3 billion or 1.0 per cent. Reflecting the effect of increased demand pressure, the average Naira exchange rate against the US dollar depreciated from ₦116.80 = US\$1.00 on 3rd June to ₦119.55 = US\$1.00 on 14th June, 2002.

In order to attenuate the problem of high and persistent domestic demand pressure and ensure that the current downward trend in the inflation rate is sustained, the Committee retained the existing tight monetary policy measures. Developments in the money market will continue to be reviewed in order to guide the pricing of treasury securities and promote financial market stability.

The Monetary Policy Committee (MPC) will continue to monitor changes in macroeconomic and financial market indicators and will take appropriate policy measures in the best interest of the economy.

BEN C. ONYIDO

Secretary

Monetary Policy Committee

Central Bank of Nigeria

June 21, 2002